

# ***INTERNAL AUDIT***

## **DESCRIPTION**

The Department of Internal Audit serves as an independent review and evaluation service function to conduct and evaluate financial, performance, and data processing audits of programs, functions, and activities as a service to County & School Board management. The Internal Audit Director reports to the County Administrator for overall policy guidance and to the Deputy County Administrator of Management Services for administrative supervision. The Department has responsibility to conduct audits of all departments, agencies, and activities as stipulated by County Code Chapter 6.12 to independently determine if activities are in compliance.

At the beginning of each fiscal year, the Department of Internal Audit develops an audit plan based on risk assessments and submits it to the County

Administrator and School Superintendent for review and approval. Audits are conducted throughout the year based on this plan. In addition to scheduled audits, special examinations that are not included in the annual audit plan are often performed at management's request.

The Department of Internal Audit has primary responsibilities in regards to investigations of fraud, waste, and abuse. Additionally, the Department conducts fraud prevention and internal control training for County and School employees to promote sound controls and a government that operates with high ethics and integrity. The Department also plays a key role in Quality efforts as they pertain to Strategic Planning and the reporting of performance outcomes on Strategic Goals.

## **FINANCIAL ACTIVITY**

	<b>FY2000 Actual</b>	<b>FY2001 Adopted</b>	<b>FY2002 Biennial Planned</b>	<b>FY2002 Adopted</b>	<b>Change FY2001 to FY2002</b>	<b>FY2003 Projected</b>	<b>FY2004 Projected</b>	<b>FY2005 Projected</b>
<b>Personnel</b>	\$395,745	\$437,900	\$451,100	\$482,800	10.3%	\$497,400	\$512,300	\$527,700
<b>Operating</b>	32,682	34,200	36,200	34,600	1.2%	34,600	34,600	34,600
<b>Capital</b>	<u>10,887</u>	<u>7,500</u>	<u>5,500</u>	<u>4,000</u>	-46.7%	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
<b>Total</b>	\$439,315	\$479,600	\$492,800	\$521,400	8.7%	\$536,000	\$550,900	\$566,300
<b>Revenue</b>	<u>1,950</u>	<u>3,000</u>	<u>3,000</u>	<u>2,500</u>	-16.7%	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
<b>Net Cost</b>	\$437,365	\$476,600	\$489,800	\$518,900	9%	\$533,500	\$548,400	\$563,800
<b>FT Pos.</b>	7	7	7	7	0	7	7	7

## **BUDGET ANALYSIS AND EVALUATION**

The Department's performance and service levels are well documented in the Office of Internal Audit FY2000 Annual Report Card. This report consistently shows a high payback to the citizens for the budget allocated to the Internal Audit Department. Recent benchmarking efforts with other State and National local government internal audit departments indicate that the Department is operating at a high level of productivity.

During FY2000, a new staff auditor was added to the Office, which enabled some restructuring of duties and enabled existing resources to be allocated to producing a Strategic Planning Report. This document shows outcomes on 85 key measures as it pertains to the County's seven strategic goals. Funding has been provided in FY2002 for additional operating costs associated with the Department's new role in quality control of departmental performance measures.

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During FY2000, turnover in two auditor positions and one administrative position occurred. Recruitment for these openings was difficult due to the tight job market. However, these positions were filled with highly qualified individuals.

The County has committed to enabling the Department to contract with outside experts on an as-needed basis for specialized audit areas. This

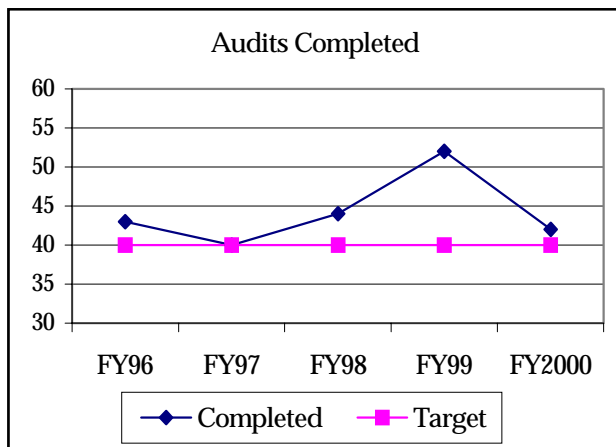
would enable the Department to partner with experts in areas such as electrical auditing, telecommunications, or other areas to produce cost savings audits for the County. Prior to contracting with these experts, a cost/benefit analysis will be performed to determine whether it will be beneficial to the County to proceed. As specialized audits are approved, funding to hire consultants will be provided on a case-by-case basis.

## **HOW ARE WE DOING?**

**Goal:** To help lead the County and School Board efforts to achieve their missions, goals, and objectives through excellence in Internal Audit Services. Supports All Countywide Strategic Goals.

**Objective:** Develop and implement the audit plan

**Measure:** Number of audits completed



### **Initiatives**

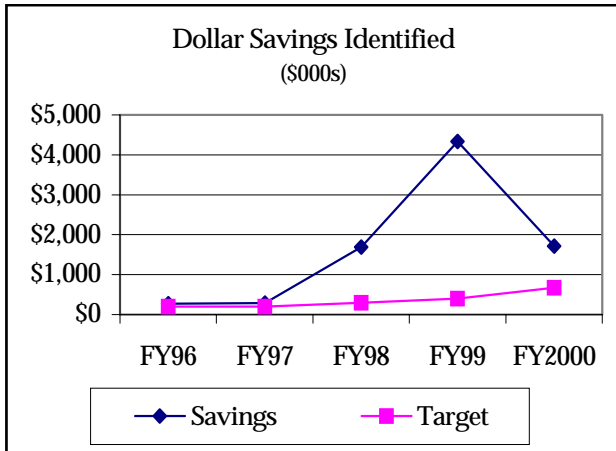
- Annual risk assessment process
- Three-year audit plan
- Ten-week audit schedule
- Individual audit hours budgets
- Departmental time reporting system
- Quarterly tracking of performance measures

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**Goal:** To help lead the County and School Board efforts to achieve their missions, goals, and objectives through excellence in Internal Audit Services. Supports Countywide Strategic Goal Number 6.

**Objective:** Identify areas of cost savings, efficiency, and effectiveness

**Measure:** Total dollar savings identified (actual & potential)



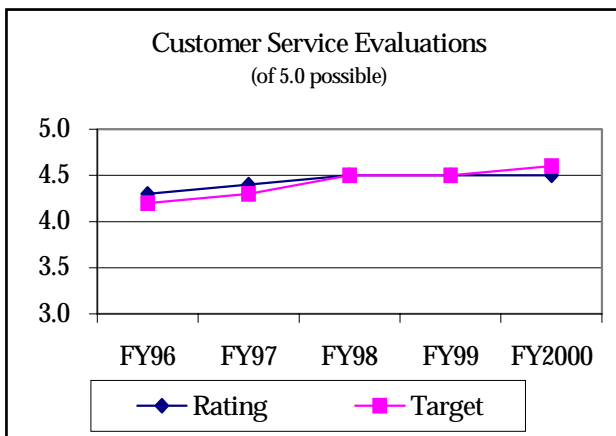
## Initiatives

- Audit scheduling of high payback areas
- Quarterly tracking of performance measures
- Audit assistance provided

**Goal:** To help lead the County and School Board efforts to achieve their missions, goals, and objectives through excellence in Internal Audit Services. Supports Countywide Strategic Goal Number 1.

**Objective:** Provide excellent customer service

**Measure:** Customer evaluations



## Initiatives

- Customer evaluation surveys
- Customer service standards

## WHERE ARE WE GOING?

The Department is routinely requested to perform special projects or unscheduled audits. This is a positive sign that the Department's services are

essential. Additionally, the areas of audit continue to grow as the County and School system expands. Increased special projects, unscheduled audits, and

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audit responsibilities impact the Department's ability to complete the scheduled audit plan and audit some high-risk areas. Currently, there exists a shortage of two audit positions to meet the scheduled three-year audit cycle. It will be difficult for the office to complete an increasing number of audits with existing resources.

The Department will, however, continue to focus on using existing resources in the areas of greatest impact. While this leaves some areas unaudited, it helps us to focus on high-risk areas. Further efforts include Department plans to do a comprehensive update of its audit plan and audit units listed in 2001. This is a part of the ongoing audit process, and helps

to cover all the major areas of the constantly changing County and School system.

Upon completion of the Strategic Planning Report, a process will be developed to document how the report will be maintained and updated. How these responsibilities are assigned will impact the amount of Department resources allocated to this project over the next two to five years. It is likely, however, that the Department will submit a request for additional staff to supply additional audit coverage over the next two to five years.

Future year projections include minimal increases in personnel costs due to anticipated increases in benefit costs.